FSC-222-A

May 11, 1994

TO: ALL AREA VICE PRESIDENTS, DIRECTORS OF OPERATIONS, REGION MANAGERS, CHAIN ACCOUNTS MANAGERS AND REGION OPERATIONS MANAGERS

RE: FULL PRICE AND SAVINGS BRAND PRESENCE ENHANCEMENT PROGRAM

Background

Based on increased brand promotion needs and competitive activity at retail the following program is designed to provide maximum flexibility in enhancing our retail presence in 1994.

This program should compliment the regional fund recently announced.

1994 Retail Program Enhancements

We are pleased to announce the availability of several tools to assist you in achieving enhanced presence for Full Price and Savings Brands, with the ultimate goal of achieving volume and profit objectives for 1994. You have at your disposal, the following:

- Semi-Permanent
  - Counter Displays
  - Floor Displays
  - Combo Pack/Carton Floor Displays
  - Signage Program
- Permanent
  - Savings Center Plan for Carton Outlets
  - Ability to re-examine mid to lower volume calls for Full Price and/or Savings Counter Displays (component contracts).

Objectives

The purpose of providing you additional display and signage tools is to allow you to establish display and promotional presence at retail. These tools will enable you to:

- Further support additional promotion activity.
- Pursue additional presence and volume opportunities (Full Price or Savings) that current merchandising contracts do not provide, i.e., 2 Full Price displays needed in particular call because opportunities exist on more Full Price brands than one display can accommodate.
- Establish a "Big Brand" presence for RJR's "Big Gun" Savings Brands.
- Capitalize on lower volume calls where display and volume opportunities exist.

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Source: https://www.industrydocuments.ucsf.edu/docs/kpby0000

Approach

At your disposal is a combination of semi-permanent and permanent vehicles to implement this activity. Semi-permanent displays are a large part of your arsenal:

- Need for rapid implementation.
- Restrictive retail environment - permanent facings.
- Ability to utilize less expensive vehicles and increase payment value to retailers.

Permanent displays are also a viable option. You have the flexibility to enhance display capacity or location/position or signage with the payment structure of this program.

I. Full Price Brand Activity (Semi-Permanent)

Several opportunities exist at retail to secure an additional Full Price display:

- 2 brand families located on 1-2 tray FPD - (not enough space or exposure).
- Volume opportunities with brands other than those currently displayed, i.e., Base Winston, Salem, Vantage.
- Accounts where no RJR Full Price display exists.
- Additional impact for key emphasis brand in heavy-up markets.

*Additional displays should not be placed where Joe's Place is currently on location.

Flexibility exists for you to determine display type, location and brands to receive additional emphasis.

A. Brand Priority

The additional semi-permanent display will give you flexibility to provide display support for an additional brand or brand family depending on market and store needs. The additional display will provide additional promotional space for workplan promotions or co-marketing activity.

B. Display Location

Although this program generally features "semi-permanent" displays, payments associated with these displays will be competitive with other permanent displays offered to the retailer. Therefore, to ensure maximum benefit is derived from these vehicles, you must be aggressive when negotiating location with retailers. As a guide, you should follow placement guidelines associated with our permanent contracted displays.

Example:

PM and RJR occupying locations 1, 2 and 3 on a selling counter, you should strive for no less than location 4 or a better location using a floor display.

To meet competitive offers for locations and display types we are striving to achieve, the following describes payment guidelines for semi-permanent placements:

- Counter or Floor Display - $1 to $45

Semi-permanent display payments are not to exceed component contract payment rates.

Example #1:

- Joe's Market - Industry Weekly Volume - 110 CPW
- Available component contract payment - FPD $35 per month
- Semi-permanent Payment Range - Counter or Floor - $1 to $35 per month

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Source: https://www.industrydocuments.ucsf.edu/docs/kpby0000

B. Display Location (cont.)

Example #2:

- Joe's Market - Industry Weekly Volume - 280 CPW
- Available Component Contract Payment - FPD - $65 per month
- Semi-permanent Payment Range - Counter or Floor - $1 to $45 per month

NOTE - Although the payment rate under the component contract is $65 in this high volume account, the maximum payment for the semi-permanent display is $45.

Maintenance Bonus - A bonus equal to (1) monthly payment is available to retailers that maintain a semi-permanent Full Price Display in agreed upon location continuously for no less than 5 months.

C. Display Payment Method

To ensure accuracy in payment and renewals to retailers, payment will be made through the Contract Pay Register via S.I.S. contractual entries using contract types and plans as follows:

Display Payment Method

	Industry Volume	Type	Plan	Rate	Units	Beginning Date	Ending Date
Full Price Display Temporary Counter	76+	FPDT	C	$1-$45	1	When Placed	12/94
Full Price Display Temporary Floor	76+	FPDT	F	$1-$45	1	When Placed	12/94

SIS will be programmed to automatically insert the 12/94 ending date and will not allow manual entry of a date beyond 12/94. You can shorten the ending date by typing over 12/94.

D. Maintenance Bonus Payment Method

The maintenance bonus can be paid to retailers beginning 12/12/94, for those displays maintained for the entire term of the program and should be the equivalent of one extra monthly payment. This bonus will be paid through TPS via Draft or Voucher as follows:

Maintenance Bonus Payment Method

Handheld/PC Designation	Rate	# Units	Begin Date	End Date
FPDT Bonus - CTR	$1	1 - 45	12/12/94	3/3/95
FPDT Bonus - FLR	$1	1 - 45	12/12/94	3/3/95

→ CAREful - CAN ENTER 450 (No CAP)

SPECIAL NOTE - Since the retailer is required to maintain the display for 5 continuous months, and this program expires on 12/31/94, displays qualifying for the bonus payment must be placed no later than the first two weeks of August.

II. Savings Brand Activity (Semi-Permanent)

Recent learning suggests that an important element to marketing RJR Savings Brands (particularly DORAL) is a focused "Big Brand" presence at retail. To achieve this presence, additional semi-permanent counter and floor displays are available.

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Source: https://www.industrydocuments.ucsf.edu/docs/kpby0000

II. Savings Brand Activity (Semi-Permanent)

You should consider placing an additional Savings Display where:

- A better display location can be achieved versus the large 24 facing display currently on location.
- A location can be obtained next to a higher performing Savings Brand.
- Separating DORAL and Monarch improves pricing/advertising capability.
- No permanent display currently exists.

Floor displays (all pack or combination carton/pack) can be used in situations described above. These displays are normally more effective creating "Big Brand" presence due to size of the display and accompanying signage.

A. Brand Priority

Although you have flexibility determining brands to emphasize with an additional display, DORAL should normally receive primary emphasis based on our learning. However, Monarch can also benefit by placing additional DORAL displays through improved pricing message and focused presence on displays DORAL is vacating.

In some exceptional situations, Monarch may assume the "Big Brand" presence role and receive primary emphasis on additional displays. You should consult with your Region Manager if you have questions regarding brand priorities.

B. Display Location

Determining the best location for Savings Displays generally revolves around the Savings brand promotion activity in the store and identifying your competition. Realizing the "true market value" of a good display location, it may be possible to pay a lesser rate in a lower volume call or a call with minimal competitive activity. Conversely, good quality locations in mid to high volume outlets require appropriate payments. Quality of location should not be sacrificed for the minimal savings in display payments that may be realized. In stores where other Savings brands outsell DORAL or Monarch, primary emphasis should be locating a display next to the highest performing competitive brand. Where DORAL or Monarch out performs other Savings brands, the location that provides the most visibility to the consumer should be obtained (preferably away from direct competitors).

As with Full Price Displays, to meet competitive offers for display locations and types we desire, the following describes payment guidelines for semi-permanent placements:

- Counter or Floor Displays - $1 to $40
- Signage - $1 to $20

ONE OR THE OTHER *

Semi-permanent display payments should not exceed component contract payment rates. (See example payment guidelines for Semi-Permanent Full Price Displays).

Signage option may not be used in conjunction with paid semi-permanent Savings displays.

Maintenance Bonus - A bonus equal to (1) monthly payment is available to retailers that maintain a semi-permanent Savings brand display or signage in the agreed upon location continuously for no less than 5 months.

C. Signage Option

In outlets where current displays on location satisfy the opportunities listed above, you may elect to increase Savings brand signage (banners, price signage, etc.). You have the flexibility to substitute additional signage in lieu of an additional counter display or floor display.

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D. Display Payment Method

Payment for Savings displays/signage will be handled the same as with previously mentioned Full Price Displays:

Display Payment Method

	Type	Plan	Rate	Begin Date	End Date
Savings Brand Display Temporary Counter	SDT	C	$1-$40	When Placed	12/94
Savings Brand Display Temporary Floor	SDT	F	$1-$40	When Placed	12/94
Savings Brand Signage	SDT	S	$1-$20	When Placed	12/94

SIS will be programmed to automatically insert the 12/94 ending date and will not allow manual entry of a date beyond 12/94. You can shorten the ending date by typing over 12/94.

E. Maintenance Bonus Payment Method

The maintenance bonus can be paid to retailers beginning 12/12/94, for those displays or signs maintained for the entire term of this program and should be the equivalent of one extra monthly payment. This bonus will be paid through TPS via Draft or Voucher as follows:

Maintenance Bonus Payment Method

Handheld/PC Designation	Rate	# Units	Begin Date	End Date
SDT Bonus - CTR	$1	1 - 40	12/12/94	3/3/95
SDT Bonus - FLR	$1	1 - 40	12/12/94	3/3/95
SD Sign Bonus	$1	1 - 20	12/12/94	3/3/95

SPECIAL NOTE - Since the retailer is required to maintain the display for 5 continuous months, and this program expires on 12/31/94, displays qualifying for the bonus payment must be placed no later than the first two weeks of August.

III. Semi-Permanent Display Retailer Agreement/Rate Sheet

Attached is retailer agreement designed for you to identify and confirm commitments for placement of semi-permanent displays. Also attached is a rate sheet, for you to reference when discussing details with retailers. This provides maximum flexibility in targeting the appropriate display and signage elements to each retail outlet.

IV. Fixtures/Displays

New and brand specific semi-permanent/temporary floor and counter displays are currently being designed and manufactured. Tentative availability is projected to be mid to late June. All pertinent ordering information will be communicated to you in the near future. You should use temporary/ permanent displays currently at your disposal to begin implementation.

Key displays being prepared to compliment these programs are as follows:

- Brand specific (WINSTON-CAMEL-DORAL) Dimension 4 Corrugated Floor Display, Temporary Gravity Carton/Pack Dump Bin Floor Display, Temporary and Semi-permanent Counter Displays. Special advertising kit for enhancing the above units for SALEM and VANTAGE are also being developed.

- Special POS Pricing Signage will be included to support these new programs.

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V. Other Activity - Full Price & Savings Displays

In addition to the new semi-permanent display program discussed in this memo, you will soon have the ability to re-evaluate your retail accounts for new placements of permanent, contracted displays. In those outlets where contracted displays were removed due to budget restrictions and a volume opportunity exists, you will have the option to resign accounts to a permanent Full Price and/or Savings Display contract. Also in the near future, a revised Savings Center Pack Outlet contract will be provided that will enable you to use this contract in Carton Outlets. Your Region Manager will discuss budget dollars available to you to place new permanent displays.

In summary, you now have additional resources and vehicles at your disposal that will assist you in impacting RJR volume at retail. The success of this activity depends on how effective you are in negotiating proper display sizes and locations with retailers.

Program contacts: M. L. Buckler (1625), R. B. Grout (2196), T. J. Sullivan (2572)

R. J. REYNOLDS TOBACCO COMPANY

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Attachments

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TEMPORARY DISPLAY PROGRAM

R. J. Reynolds Tobacco Company is pleased to announce the Temporary Display Program, available to qualifying retailers through 12/31/94. The Temporary Display Program consists of various temporary display and temporary signage options, as listed below:

Temporary Display		Temporary Signage	
Counter Pack Display	$_____	_____	$_____
Combination Pack/Carton Floor Display	$_____	_____	
Carton Floor Display	$_____	_____	

Temporary Display options can be renewed each month through 12/31/94.

A maintenance bonus of $_____ will be paid to retailer, for maintaining agreed upon Temporary Displays/Signage until _____.

Monthly Temporary Payment $_____

Maintenance Bonus $_____

Store Name _____ _____ SIS Number

Store Address _____

_____

_____

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_____ Retailer

_____ RJR Representative

R. J. Reynolds Tobacco Company will make payments by check as soon as practicable after the end of each calendar quarter. Payments will be made for stores rendering full performance during a quarter, and on a pro rata basis for stores rendering performance for less than one full quarter but more than one calendar month. Retailer will not deduct amounts due under contract from invoices due RJR.

R. J. Reynolds Tobacco Company may withhold payment from the retailer if the retailer fails to provide R. J. Reynolds Tobacco Company with sufficient correct information to issue a Form 1099 to the retailer for any taxable year covered by this agreement. In the case of individual proprietorship, this sufficient correct information is the person's individual name and either social security number or employer identification number for the sole proprietorship. In addition to the retailer's individual name, retailer may also provide the business name for the sole proprietorship, provided the individual name is listed before the business name. Retailer may not furnish only the business name. With respect to partnerships, trusts, and similar entities, the necessary information is the entity's or retailer's employer identification number as it appears on the partnership's Form 8501 (I.R.S. Form number). As soon as the applicable information is provided to and processed by R. J. Reynolds Tobacco Company, it will release any withheld payments to the retailer. Note: This paragraph is not applicable if the retailer is a corporation.

The undersigned and R. J. Reynolds Tobacco Company, hereby agree, for the type plan and stores designated below, to the terms and conditions of R. J. Reynolds Tobacco Company Temporary Display Program.

Is your organization a corporation, government agency, or tax exempt? __ YES __ NO
If no, enter your name as shown on your Social Security Card and TIN in the applicable space provided below:

Individual Name: _____.

Individual Proprietorship: __ __ __-__ __-__ __ __ __ (Social Security Number) or Partnership __ __-__ __ __ __ __ __ __ (Employer ID Number)

	FUNCTION	TEMPORARY DISPLAY TYPE	PLAN	UNITS	EFFECTIVE
Function					
A = ADD					
E = END					
D = DELETE					
C = CHANGE					

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Source: https://www.industrydocuments.ucsf.edu/docs/kpby0000

RATE SHEET

FULL PRICE

Display Payment Method

	Industry Volume	Type	Plan	Rate	Units	Beginning Date	Ending Date
Full Price Display Temporary Counter	76+	FPDT	C	$1-$45	1	When Placed	12/94
Full Price Display Temporary Floor	76+	FPDT	F	$1-$45	1	When Placed	12/94

Maintenance Bonus Payment Method

Handheld/PC Designation	Rate	# Units	Begin Date	End Date
FPDT Bonus - CTR	$1	1 - 45	12/12/94	3/3/95
FPDT Bonus - FLR	$1	1 - 45	12/12/94	3/3/95

SAVINGS

Display Payment Method

	Type	Plan	Rate	Begin Date	End Date
Savings Brand Display Temporary Counter	SDT	C	$1-$40	When Placed	12/94
Savings Brand Display Temporary Floor	SDT	F	$1-$40	When Placed	12/94
Savings Brand Signage	SDT	S	$1-$20	When Placed	12/94

Maintenance Bonus Payment Method

Handheld/PC Designation	Rate	# Units	Begin Date	End Date
SDT Bonus - CTR	$1	1 - 40	12/12/94	3/3/95
SDT Bonus - FLR	$1	1 - 40	12/12/94	3/3/95
SD Sign Bonus	$1	1 - 20	12/12/94	3/3/95

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